



GOVERNOR'S OFFICE OF  
BUDGET AND PROGRAM PLANNING

## Fiscal Note 2009 Biennium

<b>Bill #</b>	HB0536	<b>Title:</b>	Wholesale licensure and prescription medication integrity act
<b>Primary Sponsor:</b>	Becker, Arlene	<b>Status:</b>	As Introduced

- |   |  |  |
|---|--|--|
| <input type="checkbox"/> Significant Local Gov Impact     | <input checked="" type="checkbox"/> Needs to be included in HB 2 | <input checked="" type="checkbox"/> Technical Concerns   |
| <input type="checkbox"/> Included in the Executive Budget | <input type="checkbox"/> Significant Long-Term Impacts           | <input type="checkbox"/> Dedicated Revenue Form Attached |

### FISCAL SUMMARY

	<u>FY 2008 Difference</u>	<u>FY 2009 Difference</u>	<u>FY 2010 Difference</u>	<u>FY 2011 Difference</u>
<b>Expenditures:</b>				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$5,944	\$23,386	\$1,950	\$1,950
<b>Revenue:</b>				
General Fund	\$0	\$0	\$0	\$0
State Special Revenue	\$0	\$20,046	\$1,950	\$1,950
<b>Net Impact-General Fund Balance</b>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

### Description of Fiscal Impact:

The fiscal impact of HB 536 is due to the cost associated with conducting a study and meetings to include consultation with manufacturers, wholesale distributors, and pharmacies regarding the implementation of this legislation, and the cost of rulemaking to notice, adopt, and provide a hearing for the implementation of administrative rules for this legislation.

### FISCAL ANALYSIS

#### Assumptions:

#### **Department of Labor and Industry**

1. The Board of Pharmacy will form a committee to conduct a study.
2. This study will be completed no later than July 1, 2009.
3. This study will include consultation with manufacturers, wholesale distributors, and pharmacies responsible for the sale and distribution of prescription drug products in this state.

4. This study would include a survey to solicit opinions and ideas from those licensees affected by this legislation. Total cost in FY 2008 is \$2,240 (2 separate mailings of post cards to approximately 1,120 licensees directing them to the survey site, x \$1.00 per postcard which covers both printing and postage).
5. It is assumed the committee will be comprised of two board members (based in Helena), and four licensees who are directly affected by this legislation.
6. It is assumed there will be two meetings in Helena and three conference calls to conduct the business of the committee, analyze survey results, and make recommendations to the board for rule making. The estimated costs for the committee are as follows: per diem for 2 board members to attend meetings in Helena (2 members x 5 meetings x \$50 per diem = \$500); travel reimbursement for 4 committee members to travel to meetings in Helena (meals for 2 days x 4 members x \$23 for meals per day = \$184; mileage based on round trip figures of 500 miles per meeting x 2 days x 4 members x .485 cents per mile = \$1,940; lodging for 2 nights x 4 members x \$60 = \$480) 3 conference calls using capital bridge conference operator estimated at 7 lines x 2 hours = \$200 x 3 meetings = \$600. Total cost for committee in FY 2008 is \$3,704.
7. It is assumed after the study is completed, the board will need to notice and adopt new rules to implement this legislation. The rule adoption will be in FY 2009. It is estimated it will require 7 pages of rules. The total cost is \$350 (4 page rule notice and 3 page adoption notice x \$50 per page)
8. It is assumed the board will need to hold a hearing in FY 2009 on the proposed rules. Average cost of one rule hearing and transcription - \$150.
9. Licensees and interested parties are required to be notified of the rule proposal and adoption. Printing and mailing postcards to 1,120 licensees directing them to the website to review the notice and the adoption x \$1 for printing & postage x 2 mailings = \$2,240; mailing of paper copies of both the rule notice and adoption notice to 100 interested party members x \$3 for postage and printing x 2 mailings = \$600. Total printing and mail costs in FY 2009 is \$2,840.
10. The board inspector will make an additional 20 inspections the first year of the biennium and one additional inspection the second year of the biennium for in-state licensees. It is estimated the additional inspections can be conducted in connection with the inspector's regular travel schedule. With the exception of 3 facilities, all facilities the board presently licenses are located in urban areas already traveled to by the board inspector and will require a minimum of four hours of the inspector's time per facility. This cost is anticipated to be absorbed into base expenditures.
11. It is assumed this bill does not require licensure for any additional class of persons.
12. It is assumed "third-party logistics provider" does not include common carriers.
13. Implementation of this legislation will require a background check to be conducted on the applicant's designated representative for each facility. This cost will result in an increase to the fees for this licensing category of approximately \$39 per license. Presently fingerprinting can be done through a local law enforcement agency or through the Department of Justice. The cost for fingerprinting through the Department of Justice is \$5; the fee for a national background check performed through the department of Justice is presently \$34.
14. It is assumed in FY 2009 current licensees will be required to have background checks completed. The total expense for current licensees would be \$20,046 (514 licensees x \$39). It is estimated that there would be approximately 50 new licensees every year thereafter for a cost of \$1,950 (50 x \$39 per year). As stated in assumption #13 there will be offsetting revenue related to these costs.

	<b><u>FY 2008 Difference</u></b>	<b><u>FY 2009 Difference</u></b>	<b><u>FY 2010 Difference</u></b>	<b><u>FY 2011 Difference</u></b>
<b><u>Fiscal Impact:</u></b>				
<b>Department of Labor and Industry</b>				
<b><u>Expenditures:</u></b>				
Personal Services	\$500	\$0	\$0	\$0
Operating Expenses	\$5,444	\$23,386	\$1,950	\$1,950
<b>TOTAL Expenditures</b>	<b>\$5,944</b>	<b>\$23,386</b>	<b>\$1,950</b>	<b>\$1,950</b>
<b><u>Funding of Expenditures:</u></b>				
State Special Revenue (02)	\$5,944	\$23,386	\$1,950	\$1,950
<b><u>Revenues:</u></b>				
State Special Revenue (02)	\$0	\$20,046	\$1,950	\$1,950
<b><u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u></b>				
State Special Revenue (02)	(\$5,944)	(\$3,340)	\$0	\$0

**Technical Notes:**

1. The bill does not appear to provide a means of coordinating the licensing requirements of the bill with the existing wholesale drug distributor licensing provisions found at Title 37, chapter 7, part 6, MCA. As such, it is unclear whether an implied repeal of Title 37, chapter 7, part 6 is intended, whether a parallel but separate licensing requirement is intended, or if the two licensing requirements are intended to be coordinated.
2. It is unclear whether the bill intends that any licenses, and licensing functions performed by the Board of Pharmacy, under the bill are also subject to the general licensing provisions of Title 37, MCA, or if licenses granted by the board pursuant to the provisions of the bill are not subject to the general provisions of Title 37.

\_\_\_\_\_  
*Sponsor's Initials*\_\_\_\_\_  
*Date*\_\_\_\_\_  
*Budget Director's Initials*\_\_\_\_\_  
*Date*